

New England and China's WTO Accession

**Ambassador Richard Fisher
Deputy U.S. Trade Representative**

**The New England Council
Washington, DC**

March 8, 2000

Thank you all very much for coming, and special thanks to Jay Dunn for bringing us together this afternoon. Let me begin with a brief introduction of my agency, and then turn to our central issue priority for the coming year.

USTR INTRODUCTION

At the Office of the U.S. Trade Representative, we have one of the smallest agencies in government. As Daniel Webster once said of Dartmouth College, it is a small place but I love it anyway. We have 178 full-time employees and a budget of \$26 million; which is in fact not much more than the Defense Department spends on stationery every year. With this we address \$2 trillion in U.S. trade with the world; we monitor and enforce hundreds of agreements; and with help and advice from Congress, we develop the American trade agenda for the future.

We believe in open and fair competition, together with strong standards to ensure protection for our consumers, workers and environment. At home we are committed to an open market which increases competition and choice. Overseas, we create opportunity for American businesses, working people and farmers as we remove trade barriers, cut foreign subsidies and fight unfair trade practices.

Under President Clinton, these principles have helped us negotiate nearly 300 separate trade agreements, including the North American Free Trade Agreement, which cemented our strategic relationship with Canada and Mexico; the Uruguay Round, which created the World Trade Organization; and three agreements on Information Technology, Basic Telecommunications and Financial Services, which in totality make up a larger agreement than the Uruguay Round; a commitment by all WTO members to preserve the Internet as a duty-free zone; and most recently, our agreement on WTO accession with China.

In part because of this, American exports reached nearly a trillion dollars in goods and services last year – 55% more than in 1992. We have a well-diversified trade portfolio: 1/4 of what we sell goes north to Canada; 1/5 to the South (2/3 of which goes to Mexico); the remainder is split between trans-Atlantic sales and trans-Pacific sales. New England has benefitted as much as any region in America by our explosive trade growth. Its exports are up nearly \$10 billion since 1992; New Hampshire, in fact, has seen its exports double.

Opening the world trading markets has helped our country develop a remarkable record.

- Growth: Our economy has grown from \$7.0 trillion to \$9.2 trillion in real terms, during the longest expansion in American history. Only two nations in the world other than the United States, by the way – Germany and Japan – have economies larger than \$2 trillion.
- Jobs: We have created nearly 21 million new jobs nationwide since 1992, whereas Germany lost 700,000 jobs and Japan gained only 830,000. New England, in fact, gained as many jobs during the past seven years as all of Japan – with over 800,000 more New Englanders on the job today. Unemployment in the region has fallen from 8.6% to 3.2% in Massachusetts, 9.0% to 3.7% in Rhode Island, and 6.7% to 2.9% in Vermont and nationwide, we have the lowest unemployment since January of 1970, at 4%.
- Rising Living Standards: Not only is the economic climate as a whole better than ever before, its benefits are broadly shared: hourly wages for non-supervisory workers are up, poverty rates have fallen to the lowest levels in 30 years, and unemployment for African-Americans and Hispanics is at a historic low.
- Industrial Expansion: Since 1992, U.S. industrial production has risen by 40.5% – the highest rate of growth in the industrial world.
- Stock Market: The stock market over this period has tripled, which is important to the 80 million Americans who now invest in stock, many through mutual funds. Not only do more people have jobs, but more are financially secure.
- Social Dividend: At the same time, the percentage of our rivers and streams fit for fishing and swimming doubled; the number of citizens living in cities with unhealthy air fell by half; many endangered or threatened species, including the bald eagle, are recovering; and the number of workplace deaths fell 60%. We wrote a stronger Safe Drinking Water Act, strengthened clean air standards and protection of wild lands; passed the Family and Medical Leave Act; and raised the minimum wage. All this happened as America's share of world foreign direct investment rose sharply, with foreign countries investing well over \$500 billion in America the past four years, despite fears that a more open world would reward countries with lower wages or weaker labor and environmental standards.

In sum, our economy has been transformed. Trade is not the sole cause of this success, but it is a vital component. I mentioned that our unemployment rate has fallen to its lowest level since 1970, when we last had 4% unemployment. Consider this: in 1970, trade as a fraction of GDP – the sum of exports and imports of goods and services divided by our nation's total output – was 13%. Today it is 31%. Then, at the height of the hot war in Vietnam and the Cold War with the Soviet Union, defense spending accounted for 8% of GDP. Today it accounts for 3%. We have accomplished since 1970 a shift from creating employment and structuring our economy through conducting and preparing for war to an economy driven by the more peaceful challenge

of competing internationally on the economic front.

CHINA WTO ACCESSION

Where do we go from here? Let me give you a look at our top priority for this year, something the President is addressing up the street as we speak: China's accession to the World Trade Organization.

Last November, after many years of negotiation, we completed a bilateral agreement on the terms under which China will join the WTO. We will be asking for help and support from each member of the New England Congressional delegations on it. This is a big deal for you and for America.

We already buy a lot from China – almost \$82 billion last year. Go to any store where real people shop – go to any Mall – and you'll see lots of clothing or tools or everyday goods made in China. But we sell little to China – only \$13 billion, so that we run a \$69 billion deficit with them.

Our bilateral agreement secures broad-ranging, comprehensive, one-way trade concessions on China's part, granting the United States substantially greater market access across the spectrum of services, industrial goods and agriculture. It strengthens our guarantees of fair trade. It gives us far greater ability to enforce Chinese trade commitments. And yet, for our part, we agree only to maintain the market access policies we already apply to China, and have for over twenty years, by making China's current Normal Trade Relations status permanent.

THE BILATERAL AGREEMENT

If approved, China's WTO accession, together with permanent NTR, will create a remarkable set of opportunities for Americans.

First, there is the pure trade element. Just as New England began our trade relationship with China, with the departure of the *Empress of China* from Boston Harbor in 1785, so New England will be among the regions of the United States best placed to benefit from the new trade relationship this agreement can create.

For those of you in manufacturing, China's industrial tariffs will fall from an average of 25% in 1997 to an average of 9.4% by 2005. These cuts come across the board:

- For the high-tech community along Route 128 or in southern New Hampshire, tariffs on information technology – computers, computer equipment, semiconductors and others – will fall from an average of 13% to zero by 2005.
- For sawmills in Vermont and Maine, tariffs drop from 10.6% to 3.8%. China, incidentally, is already the world's third-largest importer of wood products.

In agriculture, tariffs on U.S. priority products including Maine's potato flour and french fries will drop from an average of 31% to 14% in January 2004.

And essential for both agriculture and manufacturing, in virtually all products China will allow both foreign and Chinese businesses to market, distribute and service their products; and to import the parts and products they choose, free of requirements to go through government middlemen.

In services, the agreement will open the market for distribution services, for financial services, for telecommunications, for professional, business and computer services, motion pictures, environmental services, and other industries. These are especially interesting fields, because of their inherent economic importance, but also because they are fields in which China's market has been almost entirely closed since the communist revolution in 1949.

Finally, as we open these markets, we also strengthen guarantees of fair trade for our companies and working people. We secured a ban on forced technology transfer, together with a broader reform of investment policies intended to draw jobs and technology to China, such as local content, offsets and export performance requirements. In addition, we strengthen protections for Americans against import surges from China, and we ensure that we retain strong measures to fight unfair export practices like dumping.

CASE STUDY: LOBSTER

I will leave behind the entire text of the speech my staff prepared for me on the particulars of the agreement, as it is summarized in trade speak – the language of trade wonks. Long ago, my wife was a waitress at Friendly's in Wellesley, Massachusetts. She is always telling me to “talk Friendly – speak the language of people that came in for a frappe or a lobster roll at the Friendly's counter. If you can't explain it on their terms, you'll never make the sale.” So let me summarize the trade agreement with China this way: let's talk lobsters. You may not know it but China was our largest foreign market for frozen lobster in 1998. With the China deal, we will do even better:

- First, we open China's market for lobsters directly. We cut China's tariff on frozen and fresh lobster from 30% to 15%. We bar China from imposing any new quotas. And we ensure that China's border inspections will rest on scientific judgments rather than attempts to exclude our products.
- Second, we guarantee trading rights: that is, we allow Chinese buyers to purchase lobster directly, without special government middlemen or licenses. For the first time in fifty years, Chinese hotels and restaurants can import fresh or frozen lobster foods directly from the United States.

- Third, we open China's distribution markets. For example, we enable American express delivery firms to fly live produce directly to China; and we let fishery companies advertise their products.

Thus, one part of this agreement, in essence, is a comprehensive agreement on lobster trade. And we match it, although specific features differ, in every industry of significant concern to New England and to the U.S. economy.

PERMANENT NTR

All of these, again, are one-way concessions. By contrast, we do very little. As China enters the WTO, we make no changes in our tariff rates. We change no laws controlling the export of sensitive technology. We amend none of our trade laws. We do have one obligation: the United States must grant China permanent NTR or risk losing the full benefits of the agreement we negotiated, including special import protections, and rights to enforce China's commitments through WTO dispute settlement.

Permanent NTR, in terms of our policy toward China, is no real change. NTR is simply the tariff status we have given China since the Carter Administration; and which every Administration and every Congress for 20 years, Democratic and Republican has reviewed and found, even at the periods of greatest strain in our relationship, to be in our fundamental national interest.

Thus permanent NTR represents little real change in practice. But the legislative grant of permanent NTR is critical. All WTO members, including ourselves, pledge to give one another permanent NTR to enjoy the benefits available in one another's markets. If China were to accede to the WTO and Congress were to refuse to grant permanent NTR, our Asian, Latin American, Canadian and European competitors would reap these benefits but American farmers, factory workers and service providers and lobster fishermen might well be left behind.

THE FUTURE OF US-CHINA RELATIONS

The President, today, is sending to Congress a bill to grant permanent Normal Trade Relations and complete the work. Right now at the John Hopkins' School for Advanced International Studies, President Clinton is putting this in the context of our broader strategic and security goals.

Let me cite someone closer to your New England home, the late Senator John Chafee of Rhode Island. Besides being one of the nicest men God ever created, John – as a veteran of the Korean War, as Secretary of the Navy, as one of the Senate's leading experts on trade policy for many years – was one of the Americans most uniquely qualified by personal and professional experience to comment on our relationship with China.

He was also the author of the first bill on permanent NTR for China, whose purpose he put in these terms:

“Many important challenges facing us require a steady, stable United States/China relationship – whether it is nuclear non-proliferation, adherence to human rights, security around the globe, protection of intellectual property or the transition of Hong Kong. Thus the permanent grant of NTR to China is in the best interests of the United States and her citizens ... allowing the establishment of a stable relationship that would bring prosperity and growth to both countries.”

That is, essentially, what is at stake today.

We do have serious disagreements with China, in some issues of profound importance. We should never imagine that a trade agreement will cure all our disagreements.

But we must recognize how important a stable and peaceful relationship with China is – for the Chinese, for the world, and for America. And thus, as John Chafee recognized, we have a fundamental responsibility to act in those areas in which we share interests and benefits, when the opportunity presents itself. That time is now.

CONCLUSION

Your New England Senators and Representatives will make history when they vote on permanent NTR. To make the wrong choice is not only to put at risk a remarkable and one-way set of trade commitments; it is to turn away from support for reform in China, and to the possibility of creating a stable, mutually beneficial relationship with the world's largest nation.

The WTO accession, together with permanent NTR, has the potential to create a new and fundamentally reformed trade relationship with the world's fastest-growing major economy.

It can promote deeper and swifter reform within China, strengthening the rule of law and offering new opportunities and hope for a better life to hundreds of millions of Chinese.

And ultimately, it can offer the prospect of a relationship with China which, despite moments of tension, will lead us to common ground and strengthened hopes for peace.

That is the opportunity before us. These are the stakes. Both are enormous. And that is why I have taken advantage of this time with you to ask for your support as we pursue permanent Normal Trade Relations status for China on the basis of this historic agreement.

Thank you very much.